AOC

ALBERTA OPPORTUNITY COMPANY

Turning Opportunity into Enterprise

2000/2001 ANNUAL REPORT

AN ALTERNATIVE SOURCE OF BUSINESS FINANCING SINCE 1972

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Report from the Directors

We are pleased to submit the Annual Report of Alberta Opportunity Company. This has been a year of solid successes for our clients who have had the determination and dedication to pursue their business goals. Alberta's economy is strengthened by the development of diverse new technologies, innovative processes and partnerships. At AOC we are pleased to acknowledge the contributions of those enterprising individuals who have committed to creating these new ventures.

Creating strength through diversity

Fiscal 2001 saw Alberta Opportunity Company extend its record of successful financial operations. Our mandate to support the financial needs of Alberta's promising entrepreneurs has been maintained through sound fiscal management, the implementation of strategic partnerships, and our ongoing commitment to customer service.

For almost thirty years, Alberta Opportunity Company has supported Alberta business by offering financing when conventional sources are not available to them. There has always been a gap in the availability of borrowing alternatives for small businesses that present a higher financing risk and in today's centralized lending environment, such businesses can often be overlooked.

...turning opportunity into enterprise.

Understanding the unique requirements of these businesses, AOC offers flexible financing alternatives including term loans and support for operating credits. We believe that our assistance makes a difference by opening the way for entrepreneurial success.

The economic impact of AOC borrowers on the Alberta economy this year is illustrated by the $707 million in revenues they generated, and the 6,300 jobs they provided. This represents a significant continuing contribution to the economy of our province.

Our belief in the initiative and determination of our borrowers has been reaffirmed again this year by a 3% increase in our loan portfolio, which now totals $131.7 million. We believe that by providing entrepreneurs with the means to follow through on their business plans, Alberta will benefit as a leader in the changing economic landscape.

Building strategies for success

At AOC, we strive to remain at the vanguard of innovative processes in our operations. We seek continuous improvement, and in 2001 we laid the groundwork for many new initiatives.

While the economies of Alberta's rural communities are continually shifting and adapting in response to the changes in our over-all provincial economy, one constant is the shortage of available financing for small businesses in those communities. This very important aspect of our mandate continues to receive priority attention.

In both urban and rural areas we cooperate with lenders in the private sector to solve the financing difficulties of our mutual clients, and we are pleased to report that this working relationship has resulted in 35% of our loan enquiries being referrals from private-sector lenders.

In our ongoing campaign to meet the needs of Alberta's business community, we have redesigned our Web site to facilitate enhanced communication with both our clients and our stakeholders. Visits to our site have increased dramatically, and we will continue to implement new ways to improve our accessibility to the small business community.

In the critical area of human resources, we are preparing for skill shortages in the future. AOC recognizes that the key to continually improving customer service and effective leadership of the company is the ongoing support and development of our staff. In 2001, AOC supported over 70% of its employees in personal development training. Leadership continuity is also being addressed through formal succession planning and a mentoring program soon to be implemented company-wide.

We continue to seek ways to fulfil our mandate to stimulate the economic development of the province. This year we entered into a new joint initiative with Alberta Research Council. This initiative, *Technology To Business*, is designed to assist leading edge technology companies in bringing their products to market. It is through such strategic partnerships, both formal and informal, that we will extend our support to more of the innovative small businesses of our province.

Our mission is to promote the economic development of Alberta by providing financing to small business, when it is unavailable from conventional sources.

Leading sustained development

The steady growth in Alberta Opportunity Company's loan portfolio indicates that AOC is providing Alberta small businesses with needed financial assistance. With excellent client service, efficient operations, strong staff performance, and partnerships with other organizations, we enhance our ability to meet the needs of Alberta's business community.

AOC continues to make a strong contribution to our province by helping aspiring entrepreneurs ***turn opportunity into enterprise.***

Michael C. Procter
Chair

James R. Anderson
President and CEO

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Measures

AUDITOR GENERAL
Alberta

To the Board of Directors of Alberta Opportunity Company

I have performed the following specified auditing procedures in connection with Alberta Opportunity Company's performance measures included in the *2000-01 Annual Report.*

1. New loans/guarantees, export financing, loan write-offs, net of recoveries, and jobs created/preserved were agreed to the internal loan management system data.
2. The amount recorded in the loan management system was agreed to the original loan contract for a sample of 30 implemented loans and ten guarantees.
3. The operating grant from government was confirmed with Agriculture, Food and Rural Development.
4. The net cost to government was recalculated by subtracting the operating grant from government from the reported audited net income figure.
5. The loan write-offs balance recorded in the loan management system was agreed to minutes of the Board of Directors meeting.
6. The loan write-offs, net of recoveries, as a percentage of the gross loan portfolio was recalculated.
7. The calculations which converted source information into reported measures were tested.
8. The appropriateness of the description of each measure's methodology was assessed to ensure that it did not materially misrepresent the information presented.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the set of performance measures and therefore I express no opinion on the set of performance measures included in the *2000-01 Annual Report of Alberta Opportunity Company.*

Peter Valentine

FCA
Auditor General

Edmonton, Alberta
June 18, 2001

Management Discussion and Analysis

This report is prepared to help you assess and fully understand the financial position and results of operations of Alberta Opportunity Company. It also provides a review of AOC's risk management policies and an outlook for the future. This section should be read in conjunction with the audited Financial Statements and supporting notes reported on pages 7 to 17 of this report. Dollar amounts presented in the tables are in thousands unless otherwise indicated.

Overview of 2001 Results

In fiscal year 2001 AOC successfully contributed to the economic development of Alberta by providing financing solutions to small businesses when it was unavailable from conventional sources. AOC helped entrepreneurs start or expand their business by providing 267 loans, bank guarantees and export guarantees totalling $39.4 million. This compares to 309 authorizations totalling $42.6 in 2000.

The size of our loan portfolio continues to grow with an increase of 3% in fiscal 2001, bringing the total to $131.7 million. AOC reported a net income of $5.4 million for the year, after a marginal decrease in grant assistance. This compares to 2000 net income of $4.6 million.

Performance Management

AOC continues to meet the needs of our small business borrowers in an efficient, effective and economic manner. By focusing on business plan goals and incorporating a balanced scorecard performance measurement system, we are able to compare our achievements against performance measures as follows:

Performance Measures	2001 Target	2001 Actual	2000 Actual
New loans/guarantees	$ 39.5 million	$ 38.1 million	$ 41.3 million
Export financing	$ 3.0 million	$ 1.3 million	$ 1.3 million
Operating grant from government	$ 5.5 million	$ 5.5 million	$ 5.6 million
Net cost to government	$ 4.8 million	$ 0.1 million	$ 1.0 million
Loan write-offs, net of recoveries	3.3% of loan portfolio	0.9% of loan portfolio	0.5% of loan portfolio
Jobs created/preserved	2,300	2,600	2,640

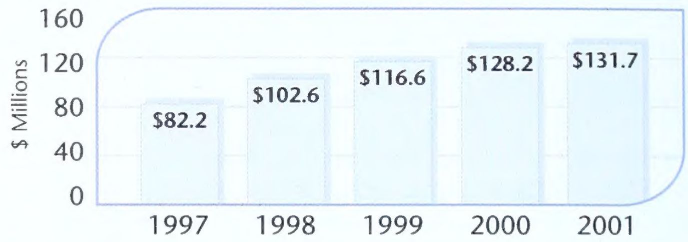
AOC conducts an annual survey of our borrowers to determine the direct impact of these operations on the economy. For the 2001 fiscal year the survey included 883 borrowers compared to 839 borrowers in 2000. The following chart highlights the findings of our survey.

Economic Impact	2001	2000
Total annual revenues	$ 707 million	$ 684 million
Export sales outside of Alberta	$ 126 million	$ 124 million
Employment – full-time equivalent positions	6,300 jobs	5,900 jobs
Payroll	$ 168 million	$ 133 million
Corporate income, property and business taxes paid (excludes payroll, GST or indirect taxes)	$ 8 million	$ 8 million

Financial Highlights

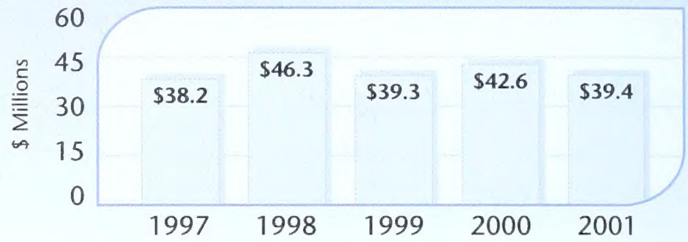
Loans Receivable

Consistent demand for financing led to an increase in the loan portfolio of $3.5 million for the year, to $131.7 million, an increase of 3%. In fiscal 2001, 59% of loan approvals were for amounts of $100,000 or less and 61% of approvals were to rural areas – 58% and 63% in 2000 respectively. This reflects the Company's commitment to smaller businesses.



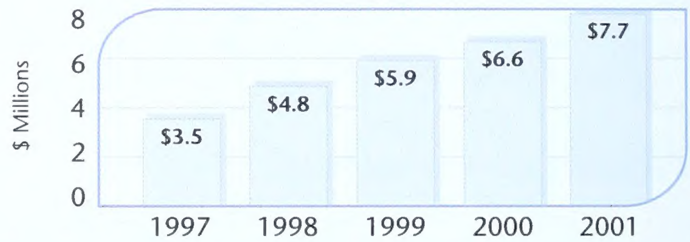
Authorizations – Loans & Guarantees

Total authorizations of $39.4 million were $3.2 million or 7% less than last year. Although the results are lower than those in 2000 they are comparable to 1999 results and they do represent achievement of 93% of targeted authorizations for the year.



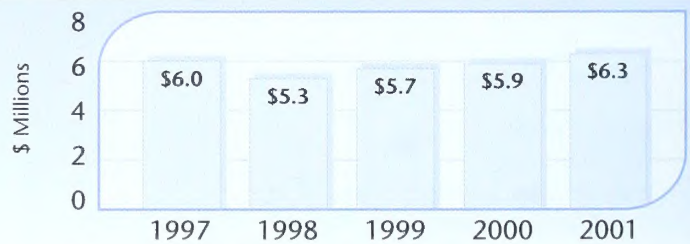
Net Interest Income

Net interest income of $7.7 million, was higher by $1.1 million or 17% over the previous year. Interest revenue is earned from interest charged on outstanding loans and from cash deposited in the Province of Alberta's Consolidated Cash Investment Trust Fund. Interest expense includes interest paid to the Province of Alberta on note borrowings.



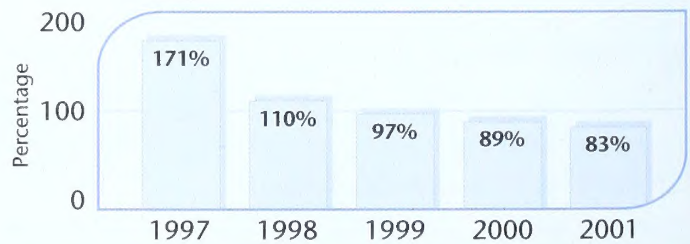
Operations Expense

Operating costs increased by $0.4 million or 8% over last year and are attributable to increases in salaries and benefits, legal and other fees, as well as general inflation. Overall operating costs are tightly controlled and have not increased in direct relation to increases in lending activity levels. Actual operating costs in 2001 represent 94% of budgeted amounts.



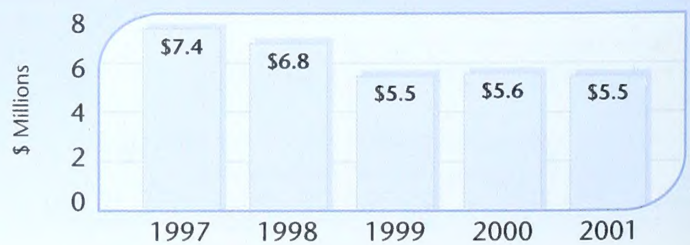
Operating Cost Ratio

The operating cost ratio decreased to 83% in fiscal 2001, compared to 89% in 2000. This ratio measures overall productivity by comparing operating costs to net interest income, with a lower ratio indicating higher productivity. In the last five years this ratio has decreased by 51%.



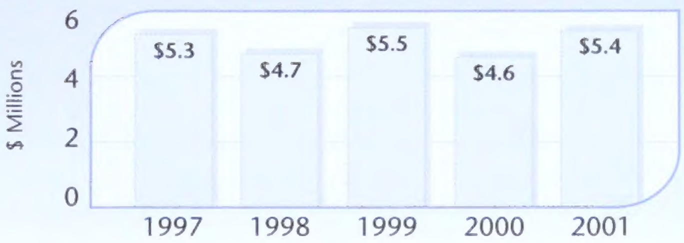
Grant from Province

Grant from Province of Alberta is required to maintain the financial viability of AOC for providing assistance to small business. In 2001 the grant was decreased slightly by 2%. Future plans are to maintain the grant at its present level.



Net Income

Net income of $5.4 million increased by $0.8 million or 17% from 2000 results. This is primarily due to an increase in net interest income, which totalled $7.7 million in 2001, $1.1 million higher than last year. In 2001 AOC maintained a conservative allowance for loan losses of 8.9% compared to 8.7% in 2000. Actual loan write-offs were $1.5 million compared to $1.1 million in 2000.



Financing Activities

Financing needs are met by borrowing from the General Revenue Fund at current market rates. Notes payable to the Province of Alberta as at March 31, 2001 totalled $89.6 million, an increase of $3.2 million from March 31, 2000. For the second year in a row the weighted-average interest rate on notes payable was 5.5%.

Risk Management

AOC's risk management framework includes processes for the evaluation and acceptance of risk within appropriate limits in the areas of credit risk, interest rate risk and operational risk.

Credit risk arises from potential for a borrower to default on their loan obligations to the Company. The risk range in which AOC operates tends to be higher than that of conventional financing institutions because our mandate is to provide loans to Alberta businesses that have viable business proposals, when such support is not available from conventional lenders. Standards that are applied in the management of credit risk include:

- clear communication to account managers of lending policies, security requirements and operating procedures;
- competency requirements for all officers whose responsibilities include evaluation of credit risk, and delegation of decision-making authority consistent with demonstrated ability;
- disciplined decision-making with loan proposals over $30,000 evaluated by a minimum of two officers. In the case of all large loans, approval from a committee of senior management or the Board of Directors is required; and
- prompt recognition, regular monitoring and timely evaluation of problem accounts.

Concentration of credit risk exists where a number of borrowers are engaged in similar activities, or are located in the same geographic region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions.

Of the total loans outstanding at March 31, 2001, approximately 22% related to the accommodation and food service, 21% related to retail trade, 13% related to manufacturing, 10% related to real estate and insurance and 5% related to entertainment and recreational services. No other industry segment exceeded 5% of the total. Comparative figures for March 31, 2000 are not available. Management considers the aforementioned concentrations to be within acceptable limits.

Interest rate risk refers to the sensitivity of net interest income to changes in interest rates. This risk is managed by borrowing a mix of short-term and long-term debt through the Province of Alberta at fixed interest rates and terms designed to balance the average terms of AOC's loan portfolio while maintaining an appropriate interest spread. All loans are provided at fixed interest rates over terms of one to five years. We expanded our financial reporting this year to include a net gap analysis of the mismatch of financial liability maturities and financial asset maturities – see Note 11 to the Financial Statements.

Operational risk is the potential for loss as a result of a breakdown in information, or transaction processing or legal compliance systems due to procedural or systems failures, errors, natural disasters or fraudulent activity. Operational risk is managed by a system of internal controls that requires segregation of duties, clearly established authorities, documentation of policies, procedures and code of conduct, accounting and record-keeping systems, financial and managerial reporting, back-up procedures and insurance coverage.

Future Outlook

Alberta's strong and vibrant economy continues to be one of the fastest growing in Canada. Real GDP growth in calendar year 2001 is estimated at 4.9% for Alberta, compared to a growth rate of 2.9% for the rest of Canada. Stronger domestic demand, higher exports, strong energy and manufacturing sectors, strong retail sales and increased demand in the advanced technology sector will be major players in fuelling this economic growth. Alberta's highly entrepreneurial and innovative business community will continue to take advantage of these economic opportunities to grow and prosper.

AOC is expecting to once again experience strong performance in the coming year based on the ongoing strength of the Alberta economy. Support for small businesses in the advanced technology sector will be met through a joint venture with Alberta Research Council, a new initiative in the 2002 fiscal year.

The downside risks to this forecast are uncertainty about high energy and natural gas rates and their effect on economic growth, sharper than expected slowdowns in the United States and Canadian economies, and possible skill shortages in a number of Alberta industries. AOC's commitment to small to mid-sized businesses located in smaller communities necessarily implies a level of risk beyond that which is acceptable to conventional lenders. This means that AOC is exposed should there be any softening in the economy, which impacts these small businesses first. This risk is managed through disciplined credit risk policies and conservatism in setting allowances for loan losses.

AOC remains committed to providing quality service to our borrowers, and we are continuously seeking new ways to improve our assistance to Alberta's small business community. In 2002, we will conduct a second client satisfaction survey seeking inspiration from our borrowers on ways we can improve further. We strive for excellence inspired by the resourcefulness and innovative spirit of Alberta's entrepreneurs.

Management's Responsibility for Financial Information

The accompanying financial statements of Alberta Opportunity Company and all information in this annual report are the responsibility of the Company's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on informed judgments and best estimates of management. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Budget and Audit Committee of the Board, which is composed of Directors who are not employees of the Company. The Budget and Audit Committee meets regularly with management and the independent auditors to discuss auditing and financial matters, gain assurance that management is carrying out its responsibilities and to review the financial statements. The auditors have full and free access to the Budget and Audit Committee.

The Auditor General of Alberta, the Company's independent auditor, is responsible for auditing the transactions and financial statements of the Company and for issuing an opinion thereon.

James R. Anderson
President and CEO

Mag R. Greipl
Chief Financial Officer

Auditor's Report

AUDITOR GENERAL *Alberta*

To the Board of Directors of Alberta Opportunity Company

I have audited the balance sheet of Alberta Opportunity Company as at March 31, 2001 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and the result of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

FCA
Auditor General

Edmonton, Alberta
May 4, 2001

Balance Sheet

As at March 31, 2001 (in thousands)

	2001	2000
Assets		
Cash	$ 6,663	$ 1,246
Accounts receivable	13	147
Loans receivable (Note 3)	119,968	116,976
Property held for sale (Note 5)	680	245
Capital assets (Note 6)	1,159	1,113
	$ 128,483	$ 119,727
Liabilities and Retained Earnings		
Accounts payable and accrued liabilities	$ 2,087	$ 1,872
Notes payable (Note 7)	89,632	86,449
	91,719	88,321
Retained earnings	36,764	31,406
	$ 128,483	$ 119,727

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors:

M. C. Procter

Chair

J. Anderson

President and CEO

Statement of Income and Retained Earnings

For the year ended March 31, 2001 (in thousands)

	2001 Budget (Note 14)	2001 Actual	2000 Actual
Net Interest Income			
Interest income	$ 10,695	$ 12,856	$ 11,273
Interest expense	5,100	5,194	4,718
	5,595	7,662	6,555
Net Interest Income After Charge for Losses			
Charge for loan losses and losses on realization (Notes 4 and 5)	4,230	2,041	2,256
	1,365	5,621	4,299
Other Income			
Application and processing fees	500	549	583
Grant from the Province of Alberta for the assistance of small business	5,524	5,524	5,575
	6,024	6,073	6,158
Net Interest and Other Income	7,389	11,694	10,457
Non-Interest Expense			
Operations (Note 9)	6,708	6,336	5,862
Net Income	$ 681	$ 5,358	$ 4,595
Retained Earnings, Beginning of Year		31,406	26,811
Retained Earnings, End of Year		$ 36,764	$ 31,406

Statement of Cash Flows

For the year ended March 31, 2001 (in thousands)

	2001	2000
Operating Activities		
Net income	$ 5,358	$ 4,595
Recoveries of loans written off	281	449
Interest paid on maturity of notes	(1,037)	(719)
Items not affecting cash:		
Charge for loan losses and losses on realization	2,041	2,256
Amortization of capital assets	219	239
Amortization of note discounts	1,309	975
Net change in other assets and other liabilities	302	(106)
Cash flows from operating activities	8,473	7,689
Investing Activities		
Loans disbursed	(35,254)	(38,969)
Proceeds from repayment of loans	29,636	26,434
Payment of called guarantees	(50)	(140)
Acquisition of property (net of sale proceeds)	(46)	(38)
Purchase of capital assets (net of sale proceeds)	(253)	(266)
Cash flows used in investing activities	(5,967)	(12,979)
Financing Activities		
Proceeds of notes	33,981	19,163
Repayment of notes	(31,070)	(18,705)
Cash flows from financing activities	2,911	458
Net increase (decrease) in cash	5,417	(4,832)
Cash, beginning of year	1,246	6,078
Cash, end of year	$ 6,663	$ 1,246
Supplementary cash flow information:		
Interest paid during the year	$ 4,777	$ 4,470

Notes to the Financial Statements

March 31, 2001 (tabular amounts in thousands of dollars)

Note 1

Authority and purpose

Alberta Opportunity Company (the "Company") operates under the authority of the Alberta Opportunity Fund Act, Chapter A-34, Revised Statutes of Alberta 1980, as amended.

The purpose of the Company is to provide financial assistance and guidance for the development of Alberta business. Priority is given to smaller businesses in rural communities which, although viable, are unable to obtain financing from conventional institutions. Priority is also given to Alberta-owned businesses which will create jobs, are introducing improvements in productivity or technology, or have export or tourism potential.

The Province of Alberta maintains the financial viability of the Company by granting money appropriated for this purpose.

Note 2

Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following paragraphs describe the significant accounting policies.

Cash

Cash is deposited in the Province of Alberta's Consolidated Cash Investment Trust Fund (CCITF) which is managed with the objective of providing a competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of CCITF earnings, which varies depending on the prevailing market interest rates.

Loans receivable

Interest revenue is accrued on loans until such time as a loan is classified as impaired. Interest income is not recognized on impaired loans until such time as the charges for loan impairment have been reversed. Loan application and processing fees are included in income when charged.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is reasonable doubt as to the timely collection of some portion of principal and interest. A loan where payment of interest is contractually past due 60 days is classified as impaired unless there is no reasonable doubt as to the collectability of all interest and principal.

Loans receivable are stated net of an allowance for loan losses. The allowance for loan losses represents management's best estimate of probable losses on loans outstanding. The allowance has a specific and a general component. The specific allowance is established following a detailed review on a loan-by-loan basis wherein the discounted future cash flows and the fair value of the security underlying the loan are determined. The specific allowance reduces the carrying value of the impaired loans to their estimated realizable values. The general allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined by historical trends in loss experience and the current portfolio profile together with management's evaluation of other existing conditions at the balance sheet date. Changes in the allowance for loan losses are reflected in income.

Property held for sale

Property held for sale is valued at the lower of cost and estimated net realizable value. Operating costs less rental revenues are added to the cost of the properties. Changes in the allowance for losses on realization are reflected in income.

Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	-	15%
Computer equipment and software	-	20%
Leasehold improvements	-	term of each lease

Notes Payable

Notes payable are stated net of unamortized discounts and premiums which arise on the issue of the notes and are amortized on a straight-line basis over the term to maturity and included in interest expense.

Pensions

The Company participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

Operating grant

The grant from the Province of Alberta is recorded as revenue in the year for which it is approved.

Note 3

Loans receivable

	2001	2000
Loans and accrued interest receivable	$ 117,561	$ 116,296
Impaired loans	14,156	11,857
	131,717	128,153
Less allowance for loan losses (Note 4)		
Specific allowance	5,283	4,200
General allowance	6,466	6,977
	11,749	11,177
	$ 119,968	$ 116,976

Security on loans receivable consists of general security agreements, land mortgages, debentures and guarantees. Loans generate a weighted average interest return of 9.5% (9.1% in 2000).

Note 4

Allowance for loan losses

	2001	2000
Allowance, beginning of year	$ 11,177	$ 9,752
Charge for loan losses	1,759	2,102
Write-offs	(1,468)	(1,126)
Recoveries of amounts previously written off	281	449
Allowance, end of year	$ 11,749	$ 11,177

Note 5

Property held for sale

	2001	2000
Cost	$ 1,638	$ 948
Less allowance for losses on realization		
Allowance, beginning of year	703	549
Charge for losses on realization	282	154
Reversal on sale	(27)	-
Allowance, end of year	958	703
	$ 680	$ 245

Note 6

Capital assets

	2001			2000
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and software	$ 2,406	$ 1,259	$ 1,147	$ 1,094
Leasehold improvements	153	141	12	19
	$ 2,559	$ 1,400	$ 1,159	$ 1,113

Equipment and software includes approximately $657,000 ($477,000 in 2000) in software at cost which is not being amortized due to being under development.

Note 7

Notes Payable

Notes are payable to the Province of Alberta. Interest on notes with maturities greater than one year is payable semi-annually. Notes payable includes approximately $859,000 ($1,332,000 in 2000) in unamortized discounts and $1,276,000 ($0 in 2000) in unamortized premiums.

Maturity date	Series	Interest rate	2001	2000
December 11, 2001	Note 024	5.68%	$ 13,282	$ -
March 27, 2002	Note 005	5.44%	13,198	13,145
September 30, 2002	Note 008	5.00%	12,167	12,119
March 31, 2003	Note 013	5.00%	14,137	14,106
December 1, 2003	Note 015	5.10%	9,928	9,901
March 30, 2004	Note 019	5.30%	5,995	5,993
December 1, 2004	Note 023	5.75%	5,924	-
December 1, 2005	Note 025	7.50%	15,001	-
April 12, 2000	Note 022	5.15%	-	1,597
December 14, 2000	Note 020	5.81%	-	9,227
February 15, 2001	Note 001	5.65%	-	3,881
March 26, 2001	Note 021	6.00%	-	8,498
March 29, 2001	Note 002	6.75%	-	7,982
			$ 89,632	$ 86,449

Scheduled principal repayments are as follows:

2002	$ 26,480
2003	26,304
2004	15,923
2005	5,924
2006	15,001
	$ 89,632

Note 8

Pensions

The Company participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Company also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $264,000 for the year ending March 31, 2001 (2000-$244,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999-$46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999-$517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999-$33,000).

Note 9

Operations

	2001	2000
Salaries and benefits	$ 4,246	$ 3,828
Occupancy	492	471
Communications	464	559
Legal and other fees	335	257
Amortization of capital assets	219	239
Board of Directors fees	62	50
Other	518	458
	$ 6,336	$ 5,862

Note 10
Salary and benefits disclosure

	2001			2000
	Salary[a]	Benefits[b]	Total	Total
Chairman of the Board	$ 11	$ -	$ 11	$ 9
President and CEO[c]	144	30	174	162
Regional Vice President, North	116	26	142	124
Regional Vice President, South	107	25	132	109
Chief Financial Officer	101	25	126	112
Manager, Corporate Development	97	10	107	89

(a) Salary includes regular base pay, bonuses and Board fees.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, short-term disability plan, professional memberships and vacation payouts.

(c) Automobile provided, no amount included for benefits.

Payments for vacation entitlements included as benefits were as follows:

	2001	*2000*
President and CEO	*14*	-
Regional Vice President, South	*4*	-
Chief Financial Officer	*5*	9
Manager, Corporate Development	*5*	-

Note 11
Financial instruments

Fair values

Estimated fair value approximates amounts at which financial instruments could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Many of the Company's financial instruments lack an available trading market, so fair values are based on estimates using present value techniques which are significantly affected by assumptions concerning the timing of future cash flows and discount rates. These estimates are subjective in nature and involve uncertainties and matters of judgment and, therefore, the fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The Company has determined the fair value of its financial instruments as follows:

(a) Cash, accounts receivable, accounts payable and accrued liabilities.

The carrying amount on the balance sheet approximates fair value because of the short-term nature of these instruments.

(b) Loans receivable

The estimated fair value of loans is determined by discounting the expected future cash flows of these loans at current interest rates for developmental loans with similar terms and credit risks.

	2001		2000	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Loans	**$ 119,968**	**$ 127,184**	$ 116,976	$ 113,624

(c) Notes payable

The estimated fair value of the Company's debt instruments is determined by discounting the expected future cash flows of these instruments at current Province of Alberta AAA borrowing rates for notes with similar terms.

	2001		2000	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Notes payable	$ 89,632	$ 90,186	$ 86,449	$ 84,842

Credit risk management

Credit risk arises from the potential for borrowers to default on their contractual loan obligations. Credit exposure on the Company's loan portfolio is managed through due diligence and account administration. To minimize the credit risk associated with the loans the Company requires security agreements and personal guarantees on all loans.

Interest rate risk management

Interest rate risk refers to the potential impact of changes in interest rates on the Company's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets.

The Company manages interest rate risk by borrowing a mix of short-term and long-term debt through the Province of Alberta at fixed interest rates and terms designed to match the average terms of the Company's loan portfolio.

The table below summarizes amounts by maturity dates and weighted average effective interest rates. The net gap position represents the mismatch of financing and loan portfolio at March 31, 2001.

				2001	2000
	Term to Maturity[a]				
	Within 1 year	1 to 5 years	Non-Rate Sensitive[b]	Total	Total
Carrying Value					
Cash	$ 6,663	$ -	$ -	$ 6,663	$ 1,246
Loans Receivable	21,404	92,190	6,374	119,968	116,976
Notes Payable	26,532	62,165	-	88,697	86,903
Net gap	$ 1,535	$ 30,025	$ 6,374	$ 37,934	$ 31,319
Effective yield[c]					
Loans Receivable	11.92%	10.87%	-	11.08%	9.72%
Notes Payable	5.32%	6.16%	-	6.06%	5.33%

(a) Term to maturity reflects the period of time until a loan matures or where an interest rate is renegotiated. For notes payable, term to maturity reflects the period of time until the maturity date of the notes.

(b) Includes net impaired loans, expired loans, and general provisions.

(c) For loans receivable, yield represents the rate which discounts future cash receipts to the carrying amount. For notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the maturity date.

Note 12

Contingent liabilities

Guarantees of bank loans

The Company is contingently liable as a guarantor of bank operating lines of credit as follows:

	2001	2000
Guarantees	$ 4,290	$ 2,118
Export guarantees	1,295	1,360
	$ 5,585	$ 3,478

Legal actions

There are claims against the Company totalling approximately $17,027,000. The Company considers that a valid defense exists in every instance and no material loss is anticipated.

In the event that the Company incurs a loss on the foregoing matters, the loss will be accounted for as a charge to income in the year that the loss is determined.

Note 13

Commitments

Unimplemented authorizations

	2001	2000
Loans	$ 7,780	$ 9,275
Guarantees	$ 375	$ 990
Export guarantees	345	345
	$ 720	$ 1,335

Operating leases

The Company has obligations under vehicle leases and long-term, non-cancellable operating leases for premises. The leases for premises generally have five year terms, include five year renewal options, and provide for payment of operating expenses and real estate taxes in excess of the amounts established at the commencement of the leases. The future minimum lease payments and estimated related costs for each of the next five years are as follows:

2002	$ 555
2003	305
2004	178
2005	101
2006	61
	$ 1,200

Note 14

Budget

The 2001 budget was approved by management on January 27, 2000 and is presented for comparison with the 2001 actual figures.

Note 15

Comparative figures

Certain 2000 figures have been reclassified where necessary to conform to 2001 presentation.

Authorizations for Fiscal Year 2001

(unaudited)

	Loans & Guarantees #	Loans & Guarantees $	Export Guarantees #	Export Guarantees $
Applications Received	461	74,362,800	4	1,295,000
Authorized	311	45,974,400	4	1,295,000
Cancellations	48	7,839,000	-	-
Net Authorizations Made	263	38,135,400	4	1,295,000
Average Amount		145,000		323,800
Median Amount		81,300		322,500
Net Authorizations by Size				
50,000 & under	90	2,520,000	-	-
50,001 to 100,000	67	5,482,900	1	100,000
100,001 to 200,000	43	6,433,500	-	-
200,001 to 500,000	55	17,669,000	2	645,000
Over 500,000	8	6,030,000	1	550,000
Net Authorizations by Purpose				
Establish New Business	27	3,277,500	-	-
Expand Existing Business	189	26,079,600	4	1,295,000
Purchase Existing Business	47	8,778,300	-	-
Net Authorizations by Region				
Northern Alberta	70	9,244,800	1	245,000
Central Alberta	53	6,731,600	-	-
Southern Alberta	39	5,271,300	-	-
Edmonton	43	5,132,000	3	1,050,000
Calgary	58	11,755,700	-	-

Loans and Guarantees

Authorizations to March 31 (unaudited)

	2001		2000		1999		1998	
	#	$	#	$	#	$	#	$
Applications Received	**465**	**75,657,800**	481	75,770,400	483	75,969,400	555	87,185,400
Authorized	**315**	**47,269,400**	341	48,210,000	322	44,301,500	368	51,902,200
Cancellations	**48**	**7,839,000**	32	5,623,000	36	5,033,500	52	5,579,000
Net Authorizations Made	**267**	**39,430,400**	309	42,587,000	286	39,268,000	316	46,323,200
Average Amount		**147,700**		137,800		137,300		146,600
Median Amount		**82,400**		80,900		83,500		78,800

Net Authorizations by Size

	2001 #	2001 $	2000 #	2000 $	1999 #	1999 $	1998 #	1998 $
50,000 & under	**90**	**2,520,000**	111	3,042,400	108	2,963,200	117	3,036,300
50,001 to 100,000	**68**	**5,582,900**	68	5,401,300	53	4,266,500	72	5,345,100
100,001 to 200,000	**43**	**6,433,500**	62	9,813,300	63	9,081,800	53	7,506,300
200,001 to 500,000	**57**	**18,314,000**	58	18,039,000	53	15,451,500	56	17,257,000
Over 500,000	**9**	**6,580,000**	10	6,291,000	9	7,505,000	18	13,178,500

Net Authorizations by Purpose

	2001 #	2001 $	2000 #	2000 $	1999 #	1999 $	1998 #	1998 $
Establish New Business	**27**	**3,277,500**	39	3,803,300	26	4,515,700	50	5,881,300
Expand Existing Business	**193**	**27,374,600**	228	31,035,200	223	29,457,400	221	30,683,700
Purchase Existing Business	**47**	**8,778,300**	42	7,748,500	37	5,294,900	45	9,758,200

Net Authorizations by Region

	2001 #	2001 $	2000 #	2000 $	1999 #	1999 $	1998 #	1998 $
Northern Alberta	**71**	**9,489,800**	87	11,786,400	92	12,582,600	84	13,724,300
Central Alberta	**53**	**6,731,600**	59	7,252,400	58	9,070,800	58	9,053,200
Southern Alberta	**39**	**5,271,300**	48	5,964,600	48	6,334,000	61	9,270,500
Edmonton	**46**	**6,182,000**	44	6,587,500	35	4,132,200	54	6,106,700
Calgary	**58**	**11,755,700**	71	10,996,100	53	7,148,400	59	8,168,500

Total Net Authorizations by Region (to March 31, 2001)

Branch Offices

Calgary
Manager: Ron Fredrickson
#790, 10655 Southport Road SW
Calgary, Alberta T2W 4Y1
ph: (403) 297-6437 / fax: (403) 297-4136
email: aoccalgary@aoc.gov.ab.ca

Edmonton
Manager: Art Foulston
#905 Weber Centre
5555 Calgary Trail South
Edmonton, Alberta T6H 5P9
ph: (780) 427-2140 / fax: (780) 422-9738
email: aocedmonton@aoc.gov.ab.ca

Edson
Manager: Les McKain
4924 - 1st Avenue
P.O. Box 7110
Edson, Alberta T7E 1V4
ph: (780) 723-8233 / fax: (780) 723-8575
email: aocedson@aoc.gov.ab.ca

Grande Prairie
Manager: Allan Kuechle
#1128, 9909 - 102 Street
Grande Prairie, Alberta T8V 2V4
ph: (780) 538-5220 / fax: (780) 538-5531
email: aocgrandeprairie@aoc.gov.ab.ca

Lethbridge
Manager: Ken Huston
Suite 201, 714 - 5th Avenue South
Lethbridge, Alberta T1J 0V1
ph: (403) 381-5474 / fax: (403) 381-5567
email: aoclethbridge@aoc.gov.ab.ca

Medicine Hat
Manager: Bruce Martin
#201, 1290 Trans Canada Way SE
Medicine Hat, Alberta T1B 1J5
ph: (403) 504-2155 / fax: (403) 504-2159
email: aocmedicinehat@aoc.gov.ab.ca

Peace River
Manager: Mark Caveny
9809 - 98 Avenue, Bag 900-23
Peace River, Alberta T8S 1J5
ph: (780) 624-6387 / fax: (780) 624-6493
email: aocpeaceriver@aoc.gov.ab.ca

Ponoka
Account Manager: Kris Ravnsborg
5110 - 49 Avenue
P.O. Box 4040
Ponoka, Alberta T4J 1R5
ph: (403) 783-7011 / Fax: (403) 783-7079
email: aocponoka@aoc.gov.ab.ca

Red Deer
Manager: Dan O'Connell
Suite 401, 4901 - 48 Street
Red Deer, Alberta T4N 6M4
ph: (403) 340-5551 / fax: (403) 340-5214
email: aocreddeer@aoc.gov.ab.ca

St. Paul
Manager: Roger Lindstrand
Suite 200, 4341 - 50 Avenue
St. Paul, Alberta T0A 3A3
ph: (780) 645-6356 / fax: (780) 645-6207
email: aocstpaul@aoc.gov.ab.ca

Head Office

Ponoka
5110 - 49 Avenue
P.O. Box 4040
Ponoka, Alberta T4J 1R5
web: http://www.aoc.gov.ab.ca

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(Back row left to right)

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Alberta Opportunity Company

Head Office
5110 - 49 Avenue
Ponoka, Alberta
T4J 1R5

Phone: 1-800-661-3811
Fax: (403) 783-7032

Web: www.aoc.gov.ab.ca
Email: aocponoka@aoc.gov.ab.ca

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